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C O N F I D E N T I A L DJIBOUTI 001530

SIPDIS

LONDON, PARIS FOR AFRICA WATCHER

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TAGS: [PREL](#) [PGOV](#) [ECON](#) [ENRG](#) [DJ](#)

SUBJECT: SWITCH IN BUTANE GAS SUPPLIER GIVES ENOC EXCLUSIVE
ACCESS TO DJIBOUTIAN MARKET

Classified By: Pol/Econ Erinn C. Reed for reasons 1.4 (b) and (d).

1. (U) The Government of Djibouti recently decided to switch providers of Butane cooking gas from a Yemeni company to Emirates National Oil Company (ENOC). The offer of a lower price for Butane gas is in contrast to the trend in global markets, where prices have gone up recently. However, the new deal is not only beneficial to the Government of Djibouti. With control over Djibouti's supply of Butane, ENOC now has an exclusive hold on providing hydrocarbons to Djibouti. The three other oil company's present in Djibouti (Shell, ExxonMobil and Total) have reportedly been informed of the decision, but negotiations are said to be ongoing in this matter.

2. (U) The switch from the Yemeni company, which has subcontracted the rights to butane filling for Djibouti from Djiboutian businessman, Abdourahman Boreh's company, SOMPEC, for the past six years, to ENOC caused a two week gap in the supply chain of Butane. The shortage caused difficulties for hospitals, hotels, restaurants, and the expatriate community. The average Djiboutian family cannot afford Butane gas, but relies heavily on liquid gas at a fraction of the price. The Butane shortage nearly doubled the price of liquid gas for Djiboutian families. The two week shortage elicited no price controls or explanations from the Government.

3. (C) Comment: The shortage in cooking gas and the resulting rise in price of liquid gas raise interesting questions regarding the government's attitude towards price regulation of gas. Djibouti has seen an unprecedented increase in fuel costs in the past two years, prompting the Government to issue promises to mitigate the effect of soaring international prices. However, as evidenced in this recent shortage and hikes in petrol prices this year, this is not always the case. The question remains whether the Government still stands behind the International Association of Hydrocarbons of Djibouti, the government entity responsible for regulating oil prices on the local market. The slow takeover of the Djiboutian oil and gas market by ENOC is also an issue that raises many unanswered questions, especially now that it seems to be receiving a monopoly from the government. Whether these moves towards ENOC will edge out competition and effectively close the market to free enterprise is one of the unknowns that could have a large impact on Djibouti's ability to attract investors. End
Comment.
RAGSDALE